MR. DEPUTY CHAIRMAN: No, no; I have not said that you will not be allowed. I have never said that you will not be allowed. But let the notice be considered first. You will be allowed.

SHRI YASHWANT SINHA: When, Sir? ...(*Interruptions*)...

श्री ललित किशोर चतुर्वेदी (राजस्थान): उपसभापति जी, जिस समय चर्चा हो रही थी, उस समय मैं भी वहां था ...(**व्यवधान**)

श्री उपसभापति: आप बैठिए, इसमें I don't need your assistance. आप बैठिए ...(**व्यवधान**)

श्री ललित किशोर चतुर्वेदी: मेरा एक निवेदन है ...(व्यवधान)

श्री उपसभापति: आप बैठिए ...(व्यवधान) आप चेयर से बहस मत कीजिए, यह अच्छी परंपरा नही है, आप बैठिए, प्लीज आप बैठिए। The Finance Minister.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): Sir, talking about what transpired in the Chamber is also a breach of privilege. ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Mr. Finance Minister.

PAPERS LAID ON THE TABLE—*Contd.*

Outcome Budgets (2006-07) of the various Flagships Programmes

THE MINISTER OF FINANCE (Shri P. CHIDAMBARAM): Sir, I beg to lay on the Table a copy (in English and Hindi) of the document "Outcome Budgets 2006-07 of the Flagship Programmes". [Placed in Library. *See* No. L.T. 4096/06]

GOVERNMENT BILLS

The Finance Bill, 2006

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I beg to move:

> That the Bill to give effect to the financial proposals of the Central Government for the financial year 2006-07, as passed by Lok Sabha, be taken into consideration.

Sir, I just wish to say a few words, after moving the Bill. I announced a few concessions yesterday in the Lok Sabha. The Lok Sabha has approved the Bill. As far as the Finance Bill is concerned, it relates to the taxation

proposals. The policy of the UPA Government is that taxes must be moderate and stable. We have demonstrated in the two years of the this Gocvernment that, with moderate and stable tax rates, we can augment the gross tax revenues by 20 per cent a year. In 2006-07 also, the Budget Estimates indicate that the gross tax revenues will increase by 20 per cent. Three successive years of 20 per cent increase in gross tax revenues vindicate our policy that tax rates must be moderate and stable. Therefore, I have not made any changes in the personal income-tax rates and the corporate tax rates. Some rates which had to be adjusted have been adjusted.

Sir, on the indirect taxes side, we are continuing on the path on which this country has been walking for the past many years by reducing customs duties. The ultimate goal is to bring them down to the ASEAN rates. This year, we have taken a measured step by bringing down the peak customs rate to 12.5 per cent. On excise, again, we are walking on the same path. We are converging excise duty rates to the current CENVAT rate of 16 per cent. We have also taken one step on the service tax to bring it to a rate where ultimately, in about four years' time, we can converge the service tax and the Central excise duty to a GST rate. The States also hopefully will agree to the road map on the following lines. The States also hopefully will agree to the road map on the following lines. The GST is the major reforms that we have signalled, as far as taxation is conerned. On the excise side, we have selected a few industries like automobiles, man-made fibre, food processing and leather for some concessions, where we believe we have the capacity to become one among the world leaders in those industries.

Sir, I request the House to consider the Bill and return the Bill as passed by the Lok Sabha. Thank you.

The question was proposed.

SHRI YASHWANT SINHA (Jharkhand): Sir, when we were having the fare well speeches in this House a little while ago, hon, Mimber, Mr. Dipankar Mukherjee, referred to a certain quality of the Finance Minister.

SHRI V. NARAYANASAMY (Pondicherry): He referred to the qualities of Finance Ministers.

SHRI YASHWANT SINHA: I said, "a certain quality of the Finance Minister". This is very much in evidence in this Budget. The Finance Minister has given the impression that he has reduced the taxes; he has not raised

the taxes; and at the end of it, he is going to get or raise an additional revenue of Rs. 6,000 crores from the changes that he has made. So, he has reduced the tax, made everybody happy and he is still, the magician that he is, going to get an additional Rs. 6,000 crores from the taxpayers of this country. That is where what Mr. Dipankar Mukherjee said becomes important. You know what he said. I don't want to repeat it.

But before I come to the taxation part, there is one issue. After all, why are we all talking about taxes, why are we talking about expenditure? Because we want ultimately the Government to balance its Budget. I was not here when the Finance Minister was replying to the debate on the General Budget. Unfortunately, I was held up because the train got delayed. But, I read the media reports, that he made a point that when we were in office, we were so incompetent that we allowed the fiscal deficit, which he had brought under control, to cross all the reasonable limits and become onerous again. Sir, I have some figures here. I wish the Finance Minister had stated the full facts. He said that fiscal deficit was 4.1 per cent when he was the Finance Minister in 1996-97 and that it went up to 6.2 per cent in 2001-02 and that was because of the fiscal mismanagement of the NDA Government. That was the point that he made. Now, I have the figures here from his economic Survey. Perhaps, in anticipation of the fact that we were going to come to power in 1998, fiscal deficit, when Mr. Chidambaram was the Finance Minister for the second year in the United Front Government, went up from 4.1 per cent in 1996-97 to 4.8 per cent. He is not responsible because we were coming to power the next year. So it went up becuase of our falt. Then, it rose to 6.2 per cent. It came down to 4.5 per cent in 2003-04, which was the last year of the NDA Government. Perhaps, in anticipation of the fact that we were going to lose elections and that they were coming to power, the fiscal deficit declined to 4.5 per cent. It was supposed to be 4.3 per cent. This year, he claims that it would be 4.1 per cent. But another important fact, which I think, because it is here in the Economic Survey, the Finance Minister could have mentioned if he was fair or he wanted to be fair. I am quoting from the Economic Survey. It says in paragraph 1.74, "Furthermore, in the aftermath of the implementation of the Fifth Pay Commission's recommendations, the general Government's fiscal deficit had increased in each of the five years to reach a peak of 9.9 per cent in 2001-02." This is the national fiscal deficit, including the States. We reached almost 10 per cent. Why? Because of the impact of the Fifth Pay Commission. Again, Sir, may be, we are

responsible because I have heard the Finance Minister say that we did not oppose his move to implement the Fifth Pay Commission's recommendations in the manner in which he was, perhaps, in those days, forced to implement them. But, in any case, as I said, we were an incompetent Government; we did not have the divine right to rule like they have, and, therefore, we made a mess of things! Now that they are back, things have started improving; from 4.5 per cent in 2003-04, the fiscal dificit is down to 4.1 per cent, this year. And the Finance Minister assures us that he will be following the path of the FRBM Act. So, the complete story of the fiscal deficit of the last few years will show that there was an impact of the Fifth Pay Commission. You did very well to the employees. You are again going to do very well by the Government employees right down to the local by appointing the Sixth Pay Commission and there will be some unfortunate Finance Minister; there will be some unfortunate Government, which will bear the consequences of the recommendations of the Sixth Pay Commission. Having said that, I would also like to make one point because I don't think the Finance Minister has replied to that point. I had said that deficit up to the month of January was already more than what has been budgeted, the revenue deficit in absolute term. I had made the point that the Fertilizers Minister has claimed Rs. 6,900 crores from the Finance Minister, which he has not provided for. Subsequently, I came across a news item and I am giving an opportunity to the Finance Minister to contradict it on the floor of the House, if he so wishes. There was a meeting that the Petroleum Minister had with the Prime Minister, the Finance Minister and the Committee Chairman, Shri Rangarajan. And, the newspaper report states, "The Petroleum Minister said after that meeting that the oil companies had a subsidy bill of Rs. 10,245 crores on LPG; Rs. 14,384 crores on kersene; Rs. 12,284 crores on diesel; Rs. 2,680 crores on petrol, while the Budget provided for only Rs.2,900 crores as subsidy for PDS, kerosene and domestic LPG." The point I am making is that if fertiliser subsidy is not paid, if in the case of oil companies in the public sector, —they are captive companies of the Government -- their balance sheet is ruined because this onerous burden is put on them, and the Government does not provide for it in the Budget, then, the fiscal dificit can be kept at any level. But there must be some honesty of approach in these figures. You cannot have Rs. 30,000-40,000 crores of burden on the oil companies and say, "My fiscal deficit has moved down by 1 per cent, that I am going to bring it down to 3.7 per cent." It is because of the

Government's policy, either of not passing the burden to the consumer or not taking it on the Government's own Budget that the public sector petroleum companies are facing this problem. So, Sir, this is all about fiscal deficit.

Now I come to the taxation proposals. I know that he got the Finance Bill passed in the other House yesterday, and the discussion in this House, unfortunately, is only of an academic nature. But I think I still must make the points that I consider to be important. Sir, I will take up the first issue of the removal of Section 10 (23 G) pertaining to Direct Taxes. The Finance Minister has said that he has removed Section (23 G) because dividends are not being taxed; there are no capital gains to be taxed, that the interest payment is not such a burden today because interest rates have softened. That this statement should come from the Finance Minister at a time when interest rates are hardening in the economy is something surprising. The whole question of exemption is something he could have been upfront about, and he could have said that Section 10 (23 G) had outlived its utility, that if did not serve any purpose, and, therefore, I am removing this exemption. He has not said that. He has given a reason which appears specious to me.

The other provision to which I would like to draw his attention is the changes in Section 43 (b) of the Income-tax which he has brought about. I had briefly touched upon this point when I was talking on the General Budget hoping that the Finance Minister would take notice of what I was saying. I had made a point earlier that the retrospective effect of this provision, from 1989-90 in some cases, and from 1997-98 in some other cases, would mean that all those companies which had been restructured under the Corporate Tax Restructuring Scheme, —we started this scheme because the interest rates were going down — and the interests on loans which were not paid but which were adjusted in the restructuring programme would now be subject to tax. This is going to be a very, very large burden on the corporates which had taken advantage of this. So, I will be grateful if the Finance Minister clarifies this point.

Sir, the other thing is the changes in the provisions relating to religious trusts and institutions, where he has said, "Any amount which will be donated to a trust, which is not fully a religious trust, will be subject to tax." Now, any donation to a trust...

SHRI P. CHIDAMBARAM: any anonymous donation, not any donation

SHRI YASHWANT SINHA: Okay. Any anonymous donation to a trust will be subject to tax. So, if somebody gives a trust ten rupees, will that also be subject to tax? If somebody gives up to Rs. 20,000, will that also be subject to tax, because there is a cut-off of twenty thousand rupees, generally, in the Income-tax Act? This is a point on which he could offer some clarification.

Then, he has taxed urban cooperative banks. And I believe that he said in the other House that they are less than 3,000 in number and, therefore, there should be no problem of taxing them. Let him go ahead and tax urban cooperative banks. But, again, the argument that he has given, that this will help the Government regulate them better, is an argument which I am absolutely unable to understand. There are regulators which are regulating urban cooperative banks; there is duality of regulation. That is something which he is aware, as we all are aware. The problems of cooperative banks, whether they are rural or urban, arise out of that, that duality of control of the State Registrar of Cooperative Socities and of the Reserve Bank of India. I, therefore, do not know how the Income-tax Department is going to help bring order in urban cooperative banks, that by merely paying tax, urban cooperative banks will not fail any more. If he has a tax purpose in mind, let him be upfront about it and say that 'I want to tax them because I need the money', and nobody will, at least, I, perhaps, will not, quarrel with him.

Then, let me come to the Minimum Alternate Tax. He has raised MAT to 10 per cent, increased the period from five to seven years and brought capital gains within it. Now, capital gains is not being taxed. But, as far as MAT companies are concerned, their capital gains will be taxed, as I understand it, under the provision relating to MAT. He has also given us, as he claims, a Tax Expenditure Statement in the Budget. Now, one would have expected that when he was giving the Tax Expenditure Statement, he would revisit this whole area of exemptions in direct taxes, in indirect taxes. My own feeling, Sir, is that there is a purpose behind each exemption. There is no exemption, to my mind, in our taxation laws, which is without a purpose. There is a purpose behind each one of them. Now, one may or may not agree. One might say that the purpose has become irrelevant; it is not needed any more; therefore, I am abolishing it. The point I am making is, instead of fiddling with this, it would have been, perhaps better

if this whole question of exemptions on direct taxes, indirect taxes, had been studies in some detail and a holistic view taken as to which exemptions should stay, which exemptions should go and, then, the changes in MAT should have been brought. Now, what is going to happen as a result of the increased burden of the MAT is that balance-sheets of many companies are going to be affected and that is bound to have an effect on their functioning, especially in the infrastructure sector.

Now, he has abolished the One-By-Six Scheme. You are aware of the history. It was the Two-By-Four Scheme which he himself had introduced. Then, I raised it by two more points and it became One-By-Six Scheme. He says that we are going to have new provisions with regard to PAN and PAN will now be given by the Department even without an application. Fine! The point I am making is that the One-By-Six Scheme did lead to the filing of a large number of returns by people who were, perhaps, not liable to tax. But it had a very salutary impact because it helped bring those who were avoiding payment of tax, who were evading tax within the tax net. Now, replacement of 1/6 by issue of PAN by the Income-tax authorities is not adequate because we are dealing with two different types of people. One is the marginal tax payer who should be brought within the tax net and the other is the high income individual who is, Sir, indulging in cash transactions of a kind which should, certainly be taken note of and should be taxed. Now, these returns, I know, were not being scrutinised. But, now with the help of Information Technology, it should be possible for us to scrutinise, at least, some of these returns and find out where exactly we are. So, I have not been able to understand why he has abolished a scheme of which he himself was the Father, because I believe that it was serving a useful purpose.

Now, he has made some changes, Sir, on the Fringe Benefit Tax. For instance, travel, for certain purposes, will not be charged under the Fringe Benefit Tax, but boarding and lodging will be. The Fringe Benefit Tax, Sir, is a tax which we had opposed, and I will still like to say that it is a tax which is best abolished; it is not serving any purpose. You cannot bring the expenditure of the company on things like sales promotion, etc., on the employees. You cannot put the burden on the employees.

Sir, he had talked about EET, exempted, exempted, and, then as far as pension is concerned, other retirement benefits are concerned, their taxation, at some point, he has kept quiet, he has not said anything about

EET in this Budget. But, he has told us that the Budget is not the last word, may be something will come later. He feels free that he will be able to bring these changes. I would like him to take the House into confidence and tell us what is the Government's thinking about EET, and we should be able to debate it in this House.

[THE VICE-CHAIRMAN (SHRI KALRAJ MISHRA) *in the Chair*]

Sir, that is, as far as direct taxes were concerned. On Customs, I have only two points to make. One is that we are all committed, successive Governments have committed that we will bring our peak Customs Duty in line with the ASEAN rates. We have not yet reached the ASEAN rates.

2.00 P. M.

So, a progressive reduction in peak rates was happening over the last many years. This year, it could have been brought down from 15 per cent to 10 per cent, if he had followed the past practice. But, he decided to reduce it only by 2.5 percentage points. And, therefore, the peak rate of Customs Duty has been reduced to 12.5 per cent in this Budget. But, I was surprised that a CVC of four per cent has been imposed on all imports, and this CVD, Sir, will actually translate into more than a five per cent burden. So, I have not been able to understand this logic that, on the one hand, you are reducing the peak rate, on the other hand, introducing something which will raise it by over five per cent. Reduce it by 2.5 per cent; raise it by five per cent. If, for whatever reason, he thought it fit that there should be a CVD of four per cent to make up for State taxes or whatever, then, perhaps, a deeper reduction in Customs Duty could have been worth it.

I was also surprised, Sir, by another point that he made in his Budget speech and it is there in the Finance Bill. He set out to correct the inverted duty structure, wherever it existed, and he talked about refractories, the refractory industry. I happen to know a little bit about the refractory industry, Sir, because two of the units are located in my district. Now, he said that refractory-finished material, refractory bricks and refractoy raw materials were both being taxed at the same rate. And he said, this must be corrected; okay, fine, it must be corrected. Then, what does he do? He reduces both to 7.5 per cent. How does that correct the inverted duty structure is something which I have not been able to understand. If he had left the finished products at 10 per cent, and reduced the raw material components

to .5 per cent, I would have said that it falls into a pattern of changing or correcting the inverted duty structure. But if you reduce both to 7.5 per cent, you are again falling prey to what you said, "undesirable" practice of this whole thing.

Sir, I would also like to make the point that there are two other raw materials, which are used in refractory production. One is what is called c-magnesia, and the other is fused magnesite. C-magnesia and fused magnesite are at 12.5 per cent and they will now have a CVD of over 5 per cent. So, what is going to happen is that you will have the finished products at 7.5 per cent CVD, and you will have these two very important raw materials for refractories at 12.5 per cent plus CVD. So, this is something which, Sir, calls for correction.

But, Sir, the point which I was making in my Budget speech was a point on which the Finance Minister has touched upon again today in this House when he was introducing the Finance Bill. Sir, he has said in para 137 of his Budget speech, I reiterate: "It is our intention to converge all rates at the Cenvat rate which is now at 16 per cent." I remember, Sir, that in one of my own Budgets I had talked about three rates. I had talked about demerit rate, I had talked about a mean rate, and I had talked about a merit rate. I thought, this could form a good structure of Central Excise to have a demerit rate, to have a mean rate and to have a merit rate. I will have absolutely no quarrel with any Finance Minister who says, "I am functioning within this framework of three rates." Where is my quarrel? Subsequently, I had said, "We should settle for one mean rate." So, we will not have a merit rate, we will not have a demerit rate. We will just have one mean rate. I fixed that mean rate, Sir, at 16 per cent. That is where it stays until this Budget.

Now, the Finance Minister is making a commitment in his Budget speech. I am reiterating that, Sir: "It is our intention to converge all rates to the mean rate of 16 per cent." It is fine. Then, what does he do? He brings the duty on small cars and soft drinks from 24 per cent to 16 per cent. I will have no quarrel with that either. Whether he should have given it to the automobile industry, as a whole, including other cars also so that that one item which remains at 24 per cent would also have been covered by 16 per cent is a matter of judgment and, therefore, I am not quarrelling with that judgement of the Government on that issue. But, then, he has also talked about exemptions not being given both on direct and indirect tax side. I had, Sir,

started a system in which I had said, "As far as Central Excise was concerned, all those items which were in the exempt category would be gradually brought within the tax net. And what was my principle? The principle was that if the manufacturer had a profit motive, the Government cannot be faulted if the Government had a tax motive. So, put them on an escalator, raise it to 4 per cent in the first year, 8 per cent in the next year, 12 per cent in the third year and then bring them to 16 per cent, which is the mean rate, in four years' time. It will give the industry time to adjust and at some point of time, you can say, it becomes Modvatable so that the burden of taxation gets reduced. Now, I find from his Central Excise proposals that they are fitting in no philosophy at all because, one, he is reiterating his commitment to 16 per cent mean rate, Central rate of 16 per cent; then, he is bringing some items which have been exempted so far within the tax net. But, in the same breath, Sir, he is giving exemption, complete exemption, to a number of items. He is raising some items from 8 per cent to 16 per cent. He is giving concession on some items from 16 to 8 per cent. Now, this is something the logic of which I have not been able to understand. He told us just now that food processing industry is an industry that he wants to promote, then settle for three rates, say, I will have a demerit rate, I will have a mean rate and I will have a merit rate and bring all those items under the merit rate of wherever you want to fix it - 8 per cent, okay, fine. Do it at 8 per cent; bring the entire food industry at 8 per cent and then say I want to encourage processed food industry in this country. But I am saying that this playing around with the structure of Central Excise where a lot of cleaning up had taken place is something, which has disappointed me utterly. The Finance Minister of a country, Sir, is not Mohammed Bin Tughlak. we cannot say, I like you, therefore, there will be no tax. He cannot say, I do not like you, therefore, there will be tax on you. This is the pattern, which has emerged from his Central Excise proposals.

SHRI V. NARAYANASAMY: The NDA had done like that only. ...*(Interruptions)*...

SHRI YASHWANT SINHA: The NDA regime—you will take many years to understand what we have done, Mr. Naryanasamy...*(Interruptions)*...

उपसभाध्यक्ष (श्री कलराज मिश्र) : आपको भी बोलना है नारायणसामी जी।

SHRI YASHWANT SINHA: For instance, he has said, Excise Duty has been reduced from 16 per cent to 12 per cent on specified printing, writing

and packing paper. Where has this rate of 12 per cent suddenly emerged? If he wanted to give relief, bring it down to 8 per cent, call it a merit rate Similarly, he has imposed Excise Duty of 8 per cent with CENVAT credit on a number of items, which includes frames and mounting for spectacles, goggles and the like below Rs. 500 per piece. It also includes roofing tiles, and I will come back to roofing tiles. Then he has 16 per cent Excise Duty which has been imposed (the point I was making that day, he has given concessions, announced some concessions in the other Hosue) on umbrellas and sun umbrellas and their parts. Then he says, food preparation intended for free distribution, subject to end use certification. Now, he himself in this Budget speech has decried the practice of giving tax concession based on end-use certification and he says, it leads to malpractices, that the moment you have end use certification, it becomes complex and leads to malpractice. Now he has introduced it here. He has clarified something on soap yesterday in the other House, so, I am not raising it. But mixture of graphite and clay for manufacture of pencils and pencil leads, Now, all these items starting with A to M have been brought suddenly within 16 per cent Excise, not put on escalator, as I said, of 4 per cent, 8 per cent, 12 per cent, 16 per cent—directly under 16 per cent. Then, Sir, Excise Duty has been raised from 8 to 16 per cent on many items and what are they-mosaic tiles, glassware, layflat tubings, cigarette, filter rods. I am referring only to mosaic tiles here- from 8 per cent to 16 per cent. Take the roofing tiles which have also been slapped a duty of 8 per cent. Now, my point, the point which I was making in my Budget speech was, that housing is a major trigger for the economy and housing had picked up tremendously because of the encouragement that we had given to housing. I am sorry to say that for many years now no fresh encouragement, no fresh incentive has been given to the housing sector. He imposed service tax on construction industry. Now, he is imposing tax on roofing tiles and mosaic tiles and there is the hardening of interest rates etc. which are going to cause problems for the housing sector in future. Then, he has withdrawn exemptions on goods manufactured without the aid of power and he says that it is very difficult to ascertain whether power is being used or not being used and there are a whole lot of items, which have been included in this. Biscuits, for instance, marble slabs and tiles. Biscuits are made by hand, not using power, in all parts of the country. What is going to happen? The inspectors will get there. They will start bothering these people. They will start harassing these people. This is

what happens when you bring an item under tax despite the fact that many of these products could be covered under the small-scale exemptions. Take for instance, padlocks, locks of base metal and clasps. You know, I was recently in Aligarh, the entire town depends, you know, Sir, on padlocks and locks and there is a huge industry there, which is dependent on that, giving lot of employment. Now, all that is going to be brought within the tax net because it is very difficult to come to the conclusion whether they are using power or not using power. Let me also say, I have some experience of the working of this Department, that if a worker is working with his hands and there is a fan which is rotating up there from the ceiling, he will say you are using power for this. This is the kind of harassment that the Department subjects industry to. Therefore, why complicate life for people who have led a simple life and have eked out an existence so far. Marble slabs and tiles, which are not using power, have been brought within the tax net. Information Technology, he announced in the other House, that customised packaged software would be exempted. But, he has imposed service tax on call centres. This is an industry, which is growing, and I think every Government owes to this industry and to the people of this country to encourage it so that we remain world leaders as far as Information Technology and IT-enabled services are concerned. So, I don't know what his calculations are, how much money he is going to get, but again, introduction of this tax on packaged software is going to make life difficult for many people.

Finally, I come to the food processing industry, which he has divided into two parts. In one case, he has given complete exemption. Whatever was at 16 per cent will now carry nil duty and some, where 16 per cent tax will be reduced to eight per cent. Sir, I am not able to understand here the logic that has gone into the selection of the items. Sir, biscuit is also a food processing industry. Sir, the point I was making last time was that you have reduced condensed milk from sixteen to nil, ice-cream from sixteen to nil, pectic substances from sixteen to nil, yeast from sixteen to nil, processed meat, fish, poultry etc. from eight per cent to nil, pasta from sixteen per cent to nil. Now, pasta is something which creates a certain impression. I know that it is the preferred food of what can be described as the "country in-law of India". But it is not the preferred food of the people in this country. In could be the preferred food of some people who are high end consumers but reducing the duty on pasta from sixteen per cent to nil

while, at the same time, on a whole lot of things like gulab jamun mix, rava dosa mix, idli mix, it has been reduced from 16 per cent to eight per cent. Now, Mr. Chidambaram, is as much a son of this soil as any one of us. One would have expected a more considerate treatment as far as Indian food products were concerned. I don't know what is the logic in reducing these duties from 16 per cent to only 8 per cent, while duty on pasta has been reduced from 16 per cent to nil!

Now, I come to Service Tax. Sir, he has replaced the words 'commercial concern' with the word 'person.' He is a very distinguished lawyer himself. He will be able to explain to us what this would mean. But, if I am not wrong, perhaps, the limit beyond which we charge Service Tax is Rs. 4 lakhs. So, any person, who is rendering a service which is beyond Rs. 4 lakhs in a year, will now be brought within the mischief of Service Tax on all those items on which Service Tax is levied.

The point I am making is, every Finance Minister decides his own philosophy of taxation. Mr. Chidambaram would like us to believe that his philosophy is moderate and stable taxes. That is the philosophy with which nobody can have any difference of opinion. In fact, in his 1997 Budget, he had fixed some income tax rates at 10 per cent, 20 per cent and 30 per cent which, during all the six years of the NDA Government, were not changed, because we also believed in the stability of rates. But, the point which I would like to make here, today, is that the things have changed. Now, we have 8 per cent growth rate over the last three years. India is going to grow economically. There is a very large middle class in this country. A time has come to my mind to look at these rates once again and, perhaps, give more room at the middle level. Let the high end-rate i.e., the peak rate be 30 per cent. Let the lowest rate be at 10 per cent. But, this 20 per cent, which is between Rs. 150,000 and Rs. 250,000 is something which calls for reconsideration. In 2006-07, we have reached a stage, to my mind, where, I think, this bracket should have been expanded. My suggestion will be that it could be raised from Rs. 150,000 to, may be, Rs. 500,000 —some point where it is not too much of tax loss. So, we are giving more room to the middle class and more spending power to the middle class for saving from their income.

I have talked about the Budget. So, I don't want to take your time on the Budget.

But, Sir, the final point on the taxation front which I will make is that the proposals the hon. Finance Minister has put in this Budget, in many areas, seem to be at variance with the principle that he himself has enunciated, namely, moderate taxes and stability of rates. Specially, in the Central Excise, if you go on playing with rates by giving concessions here and raising taxes there, it does not give a sense of stability. The 16 per cent rate could have been brought down. I hope, in some future Budget, it will be brought down and it will be moderated to 15 per cent, moderated to 14 per cent whichever is the mean rate that he fixes. But, my plea to the Finance Minister will be, please stop playing around with individual products, individual items because this is what creates confusion. If you have a philosophy, please set it out in more clear terms. Thanks you, Sir.

SHRI V. NARAYANASAMY (Pondicherry): Thank you, Mr. Vice-Chairman, Sir, I rise to support the Finance Bill, 2006 presented by the hon. Finance Minister in this august House. I was hearing the former Finance Minister, hon. Shri Yashwant Sinhaji, who has been candid enough to admit that during the NDA regime the fiscal management was not...

SHRI YASHWANT SINHA: I never said that, Sir. Please do not misquote me. Okay?...*(Interruptions)*...

SHRI V. NARAYANASAMY: I am not misquoting you. ...*(Interruptions)*...

SHRI YASHWANT SINHA: Okay. I will abide by the advice of the retiring Members and say you have the liberty to misquote. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE (West Bengal): I am still a Member. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: Mr. Narayanasamy does not have the liberty to misquote;

SHRI V. NARAYANASAMY: I am not misquoting, I am just telling in a lighter vein. He was explaining one point and I agree with him that the focus should be on the middle class community in this country. As has been mentioned by Shri Yashwant Sinha the benefit should go to the poorer sections of the society, and also the middle class should not feel the burden of taxation. I agree with him on that.

Sir, the hon. Finance Minister focussed on the area of food processing, where concessions have been given.

The automobile industry is a booming industry in the country. We know that not only are the people of this country getting advantage out of it, but also, there is a large potential for exports. Therefore, concession has been given here.

There is the leather industry, which is a component of international competition, and concession is required here. All these area have been covered by the hon. Finance Minister. I could find a kind of envy in the argument put forth by the former Finance Minister. Without much burden on the consumer, there is a 20 per cent incerase in the gross tax return which has been managed by the present Finance Minister. He may not relish it, therefore, he has been arguing in this way. Sir, whether it is personal income tax or corporate tax, we could find that the same is being maintained and no change has been made.

Sir, I would like to touch very briefly two or three points. As far as VAT is concerned, it is the policy of the Government that VAT has to be introduced in all the States. Some of them have agreed; some States have introduced VAT. According to the Finance Minister and also according to some State Chief Ministers, VAT has been doing the magic. They are able to get very good revenue after the introduction of VAT whether it is Delhi or some other States. The Rajasthan Government has agreed to implement VAT this year. Some of the States have not implemented it and some opposition has come even from Uttar Pradesh. What is the policy of the Government? How are they going to ensure a uniform implementation of VAT in this country? Sir, in Southern States also, some States have not fallen in line. Therefore, I want the hon. Finance Minister to....

SHRI P. CHIDAMBARAM: Not only Tamil Nadu, but, Pondicherry also. ...*(Interruptions)*...

SHRI V. NARAYANASAMY: Therefore, I said, some Southern States. ...*(Interruptions)*...

SHRI P.G. NARAYANAN (Tamil Nadu): We are ready to pay VAT if you ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: There cannot be a compensation formula exclusively for Tamil Nadu. Twenty-five States have accepted it and you want a separate formula. How is it possible? ...*(Interruptions)*...

SHRI V. NARAYANASAMY: That I would like to know from the hon. Finance Minister. Sir, there is one area where there is a small concession that has been given to the Chartered Accountants because the hon. Finance Minister has also received a lot of representations on this. The Government had given an exemption in 1988 to the practising Chartered Accountants. Now they been brought under the service tax net. Sir, if a lawyer appears before the Tribunal, he is not taxed because the lawyers are exempted. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI KALRAJ MISHRA): Let him speak. ...*(Interruptions)*...

SHRI SITARAM YECHURY (West Bengal): Are you indicating that there is conflict of interests with the Finance Minister.? ...*(Interruptions)*....

SHRI V. NARAYANASAMY: No; no; I am not sayig this. ...*(Interruptions)*...

SHRI SITARAM YECHURY: You are charging the Finance Minister.

SHRI V. NARAYANASAMY: The Finance Minister is not practising now. ...*(Interruptions)*...

SHRI SITARAM YECHURY: So, he is investing in his future.

SHRI V. NARAYANASAMY: It is for you to assess. I am not going to say anything on that. Sir, there is a genuine demand from the Chartered Accountants or the Cost Accoutants. There is a demand from all these people that when they appear before the Tax Tribunal, or, if an Income-Tax practitioner goes there, they should also be exempted. Sir, when a lawyer appears before the Tax Tribual or even before the Appellate Authority, they are exempted. As far as Chartered Accountants are concerned, they have been brought under the service tax net. I want the hon. Finance Minister to reconsider this because there should be a level-playing field. All those people who are appearing before the Tribunal, whatever be the qualifications which have been prescribed, either all of them should be brought under the service tax net, or otherwise, all of them should be exempted. There should not be pick and choose policy, like some people are taxed and some people are not taxed. Therefore, I want the hon. Finance Minister to respond on this issue.

Then, Sir, my third point is that the small paper pad which everybody is using, which was exempted by the Government and which is a sort of cottage industry, is taxed now. if it is a loose sheet, which the Finance Minister is holding now, it is not taxed. If a person writes on the loose sheet, it is not being taxed. Byut if it is a bound one, whether it is a register, diary, file folder, writing pad, notebook, etc. it is taxed. Even the notebooks are being taxed. What is the logic behind it? This is used by millions of people, and it gives employment to a large number of those people who are working in small cottage industries. It is handmade only; machines are not being used. There should be some logic behind taxing those items which are being manufactured by hand in the various households. Now, the hon. Finance Minister would say that the exemption is up to Rs. one crore. You know the kind of harassment they are facing when you bring them under the tax net. Therefore, Sir, I want the hon. Minister to look into it. Sir, by taxing the notebooks, diaries, file folders, writing pads, etc., how much revenue you are going to mop up? It is going to be very negligible. Therefore, I want the Finance Minister to consider that.

Sir, as far as the food processing industry is concerned, a lot has to be done for it. They need a lot of concession by the Government. For the last twenty years, we have been saying that we want cold storages in all the rural areas for the benefit of the farmers. We have been saying that for processing of the agricultural produce of the farmers, we want the processing industry. But it is not taking off because they are not getting the kind of support which is required from the Finance Ministry, the Finance Department. Sir, steps like giving them some concessions here and there for the machinery, for the produce that is being manufactured or by exempting some of them, or, giving them 50 per cent concession here or there are not going to solve the problem. Whether it is in the Western countries or China, we find that the food processing industry has been paid the utmost attention by the Government, becuase there it is a value addition. By carrying out food processing in the area where production takes place, farmers can get the advantage. Also, the product can be exported if it is properly processed. Therefore, I would like the hon. Finance Minister to concentrate or that area. We would request a little more attention from him.

Sir, coming to packaged software, about which Shri Yashwant Sinha has also mentioned, I agree that information Technology and software need to be given all the concessions by the Finance Ministry. We find from the newspapers that China is going to sell its computers for Rs. 5000. We are giving it for Rs. 10,000. China started the software industry five years after India did it. Today, they want to give computers at a cost of Rs. 5000. That being the case, where is the question of the hon. Finance Minister imposing tax on packaged software? The area to which we need to pay more attention is the software industry. It is a growing industry today, and we need to give a lot of concessions, which go directly to the consumers, the user. Nowadays, computers are being used even in villages. Therefore, Sir, kindly consider this aspect also.

Sir, though I have a lot of suggestions to make, because of time constraint, I wish to cut short my submission. By not increasing the personal income tax, as also the corporate tax, the hon. Minister has not put any burden on the consumers for which I congratulate the hon. Finance Minister.

With these few suggestions, I conclude my speech.

THE VICE-CHAIRMAN (SHRI KALRAJ MISHRA): Shri Sitaram Yechury.

SHRI V. NARAYANASAMY: Yechuryji, have you got any conflict of interest?

SHRI SITARAM YECHURY: No, Sir.

Thank you, Mr. Vice-Chairman, for giving me this opportunity. I mean, it is a surprise that I have risen to speak. But I could not resist myself since the hon. Finance Minister is here. And Mr. Narayanasamy is particularly provocative, as always. but before falling prey to that provocation, I would like to talk about the larger issues.

Sir, the Finance Bill is usually concerned with the rates of taxation and the tax revenues that we mobilise for purposes of financing other activities, economic activities, of the Government. Now, in this Budget, Sir we went through this discussion earlier the hon. Finance Minister and the Government is expecting an increase in gross tax revenues to the tune of 19.5 per cent, or, something in addition to Rs. 72,000 crores. of these Rs. 72,000 and odd crores, only about Rs. 10,000 crores comes from collection of the past arrears and Rs. 6000 crores comes from additional

tax mobilisation. This leaves a massive amount of Rs. 54,000 crores, which we hope, will be collected because of a general buoyancy in the economy. But, in my opinion - and I think this is an important point which I need to repeat, even though I spoke on this the other day - much of these extra windfall collections which have happened for the last three years consecutively, and is likely to happen this year also, are essentially related to one important fact, which is corroborated also by the fact that the *Forbes List* today has various Indians listed as billionaires in term of dollars. Our Indian economic journals have done a survey where they have said that the number of Indian billionaires, in terms of Indian rupees, has grown to about 311 from a less-than-a-hundred figure within the course of one year. All this is indicative of the essential point, Sir, that there is, in the hands of a few, vast accumulated surpluses before tax that had accrued to them. It is because of this that this tax collection buoyancy has happened in the country. Now, the main question is why is this accumulation of surpluses before tax concentrated in a few hands and why this has happened. That is the real concern that is directly related with the tax proposals. The reason I would adduce is that the bulk of the people, particularly in rural India, are actually being squeezed economically, and it is this growing economic inequality, which is resulting in this growth of surpluses before tax in the hands of a few. To adduce evidence for my point, if you look at the NSS Surveys, it shows that within a decade, from 1993-94, per capita expenditures of 80 per cent of the rural households have declined in real terms. During this period, on an average, the growth in per capita income of the country has been four per cent. Now, for 80 per cent of the rural population, if there is a decline and there is a four per cent is a four per cent across-the-board increase in per capita incomes on an average, that shows the extent to which economic inequalities have widened. Now, widening of these economic inequalities is the cause for the extra revenue buoyancy and revenue mobilisation that has happened in the last three years. And if this widening is the reason, which I believe is the reason, then, this is a very, very disturbing decision that the Government seems to have taken, which was announced by the Prime Minister, unfortunately, when the Parliament is in session, that is, opening up of capital account convertibility. The RBI has issued guidelines now.

SHRI P. CHIDAMBARAM: This was announced in Parliament in the Budget Speech of 1997-98. A committee had been appointed then. That

Committee submitted a report. Of course, the ASEAN crisis overtook that. All that the Prime Minister said in Mumbai was that he would request the RBI to examine what steps need to be taken. No decision has been announced on capital account convertibility.

SHRI SITARAM YECHURY: Thank you, Mr. Finance Minister.

SHRI V. NARAYANASAMY: Before that your Government also came.

SHRI YASHWANT SINHA: Sir, this issue has come up sideways. This is an issue on which I had given notice for breach of privilege. This is the issue on which I have given ...*(Interruptions)*....

SHRI P. CHIDAMBARAM: You cannot raise it as a privilege. ...*(Interruptions)*....

SHRI YASHWANT SINHA: No, I am not raising it. I am merely saying that I don't accept your argument that no announcement has been made. You have made an announcement. ...*(Interruptions)*....

SHRI P. CHIDAMBARAM: You have raised it as a privilege. ...*(Interruptions)*....

SHRI YASHWANT SINHA: You have made an annoucnement outside Parliament when the Parliament is in session. Parliament has been taken for granted. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: He is raising it as a privilege issue through the backdoor. ...*(Interruptions)*...

SHRI SITARAM YECHURY: I am very happy that the hon. Finance Minister has clarified in the House that no decision has been taken, and I would urge upon the Governemnt not to take this decision, connecting it with what I was talking about the Finance bill and why I am urging the Government is for various reasons.

The hon. Finance Minister is absolutely right when he said that the Tarapore Committee - which had met then, and all of us are aware of its recommendations - had suggested capital account covertibility. But mercifully, we did not do it then because the Government of the day is itself of record, saying that because we did not do that, we insulated ourselves from the ASEAN crisis, and because of that we did not fall into the vortex of that crisis. now, that is a point of history. I am not going into

that *post-mortem* analysis. But we have said, Sir, that the country is not prepared for such a conversion. Why I want to urge the Government not to proceed with that is the following.

The Committee may be meeting and may be considering, let us wait for the report to come. But the proposal is that to the tune of 25,000 dollars, an individual, an Indian, can use that amount yearly for either opening foreign accounts, or using that money for any investments abroad. Now, this may look a very meagre sum. But, if you take one million Indians, which is 0.1 per cent of our population, and the people from whom we are expecting this tax buoyancy, of this whopping Rs. 55,000 crores, it is those people who have these surpluses who would then utilise the surpluses, not for the pruposes of increasing our tax revenues, but for purposes of investing and opening account outside.

Sir, my concern in directly connected with the financing of the projects which the Government has promised to undertake in the social sector. They may, however, be inadequate but that is a different point. My fear is, even this tax buoyancy will not be realisable because of the capital account convertibility. As a result, there will be greater and further crunches that will be imposed on social, infrastructure development, which will be disastrous and which, I think, will be a negation of the commitment that this Government has made in the Common Minimum Programme. Therefore, this is a point which they have to keep in mind.

The other reason, Sir, which I wish to acutally inform this House is that we have had a masive amount of foreign exchange reserves in the country. If we go through it, in 2002-03, the net capital inflows into the country were to the tune of US $12 billion and US $6 billion came in addition in 2003-04, in the first quarter of April-June.

And, the reserve accumulation with RBI is to the tune of 17 billion dollars during 2002-03. That is all around, roughly. about 25 billion dollars between April-December, 2003. My point is that a 0.1 per cent of the country's population, if it wishes to utilise this avenue, then this entire thing is wiped out. That will put a very serious constraint not only on the economy, but, as I have argued, it will put constraints on the Governmental revenues which will adversely affect the financing of the much-needed social infrastructure projects which were outlined in the Budget.

Secondly, Sir, the argument, that is often given, is that there is huge amount of foreign exchange reserve in the country. But, the return on the foreign exchange reserve are declining. The RBI has itself put out that what is earned, let us say, 4.1 per cent on these reserves as an interest rate between 2001-02, has decreased to 2.8 per cent between July-June in 2002-2003. So, what we are holding, even the holding costs, whether they are coming through interest generated on this amount, that is also doubtful. Yes, therefore, there is pressure. There is too much of this accumulation. And, if the supply is larger than the demand, then the rupee appreciates, and if the rupee appreciates, Indian export competitiveness decreases, and if the Indian export competitivenss decreases, our growth will not be as vibrant as it ought to be. That is the official argument. But , my point that is order to meet that argument, what you are doing is greater damage to the economy by undertaking this proposal at this present juncture, because what we will see is a net outflow of capital from the country and in such sums that that will actually affect your domestic rates of investment, and which will affect your domestic rates of savings. Therefore, capital account convertibility is actually like opening up the sluice gates when the floods are already on in the country. And, we would urge this Government not to undertake this at the present juncture because, I think, this will be completely ruining us even in terms of the tax revenue mobilisation, calculations that the Finance Minister himself has presented in the Finance Bill. Because this buoyancy, I repeat again, of Rs. 54,000 odd crores, which has to come from these surpluses, will be diverted into that area. So, I would sincerely and seriously urge this Government to reconsider it. And, let us not forget that as far as international capital is concerned, there is a very unique phrase, which is called 'feast or famine syndrome'. There is a feast when you have nice returns and there is a famine when these returns no longer exist. If that is an argument that our stock market today has crossed, it is almost nearing 11,000-we were told as we entered the House today-if it is a sign of good health, we are told, that is why, it is rising, but, Sir, I want the Finance Minister also to consider this point. Through you, I want to make this point to the Government...*(Interruptions)*... Sir, what I am saying is that this rise in your Sensex is also directly related to the fact that you do not tax profits on the Sensex. There is no dividend tax; there is no capital gains tax. You can earn thousands of crores of rupees as dividend income and not pay tax. But, the poor, the middleclass salaried people

have to pay tax. Therefore, this anomaly is a cause for this increase. Finance Minister must recognise this point. So, do not fall into the false trap of saying this because of good health of my economy, and therefore, I am in a position to enter into capital account convertibility today. That would be disastrous and we would want the Government to serioulsy reconsider it. So, this is the major point that I wanted to make. The other thing is- many of my colleagues will agree-regarding two further points that I would like to make. One is across the board reduction in customs duty that has been announced. Now, this will adversely affect your domestic producers and, therefore, it will also adversely affect the employment that these producers were giving. For example, today, you have a zero per cent duty on importing a laptop. You have a zero per cent duty on importing a colour television. Now, what will happen to all these industries that have mushroomed in our country during these years to actually create and produce those parts that will go into final assembling of these products? If you can import them at zero per cent, and you have an excise duty of 12 per cent for your domestic producers, it is a sure recipe for utlimately, totally ruining your domestic industries in these areas. Now, this must be seriously considered because these are not only related to the growth of our small domestic industries but this is also directly connected with the employment potential that these industries give. *(Time-bell).* Sir, I would like to make one last point. Therefore, I would only urge the Finance Minister to consider this before we adopt the Finance Bill. In the sense, I know the limitations of the Rajya Sabha in adopting the Finance Bill but we would want them to seriously consider it.

SHRI P. CHIDAMBARAM: We are returning the Bill.

SHRI SITARAM YECHURY: Yes, we are only returning the Bill. But I would want them to consider, yet another additional point, that is, to please reconsider, and, I will repeat, please reconsider for the sake of our country's revenues, for the sake of the health of the economy, some method by which you will mop up some, some of the profits that are actually accruing in your stock markets. A 54 per cent increase in one year when your economy is growing at just eight per cent, this mismatch cannot be allowed. We have given our suggestions earlier. I am aware of the constraints that the present Government and the Finance Ministry has, which is also partly a legacy that came from the other side, about Mauritius route, about the double taxation agreement. Why all this is happening, I am aware of those things, but nevertheless, I think, this is an area that merits a much closer scrutiny so that larger revenues can raised.

SHRI YASHWANT SINHA: That legacy had come even we came into office. It was done when Dr. Manmohan Singh was the Finance Minister.

SHRI SITARAM YECHURY: Thanks for the clarification. Only because of this particular situation whereby we have some say and some role to play, now use that as a pretext to break from that legacy. If it is coming from the Congress, down the NDA and back to the UPA, then Left is sincerely urging you to accept. ...*interruptions*...

SHRI YASHWANT SINHA: Through the United Front Government.

SHRI SITARAM YECHURY: Through the United Front Government! He was the Finance Minister there as well.

Finally, Sir, through you, we would like to urge the Government and the Finance Minister to seriously explore the possibility of a closer scrutiny of how we can tap more resources from the stock market gains. Thank you, Sir.

SHRI C. PERUMAL (Tamil Nadu): Mr. Vice-Chairman, Sir, I rise to speak on the Finance Bill. I am straightway coming to the important issues. Sir, one important aspect is tax on coooperatives. The cooperative banks in rural areas lend mostly to farmers. The income tax imposed on the cooperative banks is a Bolt to them, and, in any case, farmers will be affected. Moreover, the cooperative banks in rural areas do not have finance support and facilities which are enjoyed by banks in urban areas. I demand that taxes on cooperative banks should be withdrawn immediately.

Sir, on the one hand, the Government is trying to popularise the computers, but, on the other hand, the Government is taking steps which would affect this industry. With much fanfare, the Government announced that computers would be sold at Rs. 10,000/-. But with the increase in the excise duty, I do not know how it would be possible to sell computers at this price. Due to the increase in the prices of computers, the student community will be affected the most. Therefore, Sir, I demand that the excise duty on computers should be withdrawn completely.

(MR. DEPUTY CHAIRMAN in the Chair)

Sir, banks have started charging transaction fee on ATM services. While it was promised that there would be no burden on users, this is an

indirect way of burdening the common man. Moreover, the service tax has been increased from 10 per cent to 12 per cent. The impact will be felt everywhere. If one goes to a middle-budget hotel in an urban area to have lunch, and, the amount of the bill is Rs. 100, then the service tax will be around Rs. 15, Value Added Tax will be Rs. 20 and the customer is left high and dry. Though on the face of it, it appears that the common man does not have to pay any service charge but when he goes to market to buy goods or to avail any service, he has to pay more.

Sir, as far as handloom sector is concerned, there is no specific fund for its development. The handloom sector like a rural industry and lakhs of workers are involved in it. Sir, the treatment that is given to the powerloom sector is not given to the handloom sector.

Sir, the standard deduction which was withdrawn should be restored. Moreover, Sir, the income of senior citizens up to Rs. 3 lakhs should be exempted from tax. Sir, everybody expected that there would be some concession in tax proposals. With the increase in cost of living and general price rice, the income tax limit should be raised to Rs. 1,50,000 from Rs. 1,00,000. The Finance Minister, in the other House, stated that taxation in respect of senior citizens and women should be revised every year. But, when the cost of living is so high, what is the problem in upward revision?

Another important aspect is that Income Tax Act should be simplified so that even an ordinary citizen can understand it. In fact, I urge upon the Government to review all taxation laws to make them simpler. The excise duty on all items of daily use by common man should not be hiked and review is necessary. The excise duty on several items has been increased and it has been totally withdrawn.

Sir, the hon. Minister has increased the rate of Vanaspati in this Budget. One thing that I would like to know from the hon. Minster is this. We were importing Vanaspati from Sri Lanka and Nepal at zero per cent duty. At this stage, what happened to our production? Let me clarify, Sir.

Sir, the banks, particularly, the nationalised banks, charge a different rate of interest for various loan schemes. The banks should charge a uniform rate of interest for all types of loans so that the scheme is transparent and people are benefited. Now, 25 per cent subsidy is given for the self-employment scheme. This should be increased to 50 per cent because of high rate of unemployment situation in the country.

Then, Sir, the so-called concessions to the farmers are just an eyewash. No concrete mechanism ahs been set up for agricultural credit. Farmers are still committing suicides. Many of the banks, including some nationalised banks, have lagged behind in the agricultural credit sector. When a farmer approaches a bank for loan, he is made to run from pillar to post. He is harassed in such a way that he is forced to seek credit from greedy moneylenders.

There is no mention about crop diversification scheme. There is no mention about reimbursement of expenses to the State Governments in connection with free power to supply to farmers. The Crop Insurance Scheme has not been extended to all crops and all seasons by taking village as a unit.

Mr. Deputy Chairman, Sir, children are the future of this country. In Tamil Nadu, a scheme has been introduced by our Hon. Chief Minister, Puratchi Thalavi, to provide free cycles to all students studying in plus 1 and plus 2, irrespective of their religion or caste. This scheme is unique, not only in India, but in the whole world. The Mid Day Meal Scheme is great success in Tamil Nadu. The allocation for education sector has not been increased considerably. With great regret, I would say that education loans are not given to the students. Students are harassed and security is insisted and a long time is taken to process the loans. Only poor students approach banks for loans. If they are denied, then, what is the purpose of this scheme? There is no mention in the Budget regarding imparting free education to students of all classes. The rate of interest should be reduced and loans should be given liberally to students. I raised this matter through a Special Mention. The education loans should be given without any security and surety and only on the basis of mark-sheet and the certificate of the students.

Sir, the proverb goes ' Health is Wealth'. Under the National Rural Health Mission, Tamil Nadu has not been included at all. And, on top of this, the Health Minister is from Tamil Nadu.

Sir, I will talk about one more general subject. Dharmapuri and Krishnagiri are the two backward districts in Tamil Nadu. But, they have not been included in the National Rural Employment Guarantee Scheme. I demand that both these districts should be included under this Scheme. Both the districts depend wholly on monsoon for agricultural and drinking purposes. In the last so many years, there has not been sufficient rain. The scanty

3.00 P.M.

groundwater available also consists of fluoride, which is harmful to human lives and livestock. An integrated water scheme, based on the Hogenakal falls, is the need of the hour. But, there is no mention about this in this Budget. The interest rate on Employees Provident Fund has not been increased despite demand from all sections of the House and the society. Sir, finally, one important point regarding my State. The Central Government announced, two years back, to set up a plant to make seawater potable at Chennai at a cost of Rs. 1,000 crore, but no fund has been allocated so far. In fact, the scheme was launched by Tamil Nadu Government many years back. Though the Tamil Nadu Government has completed all the formalities, the environmental clearance has not been given. The Central Government has neither allocated funds nor given clearance for the State project. I request that the necessary funds and environmental clearance should be given to the State project immediately. With these words, I conclude. Thank you, Sir.

SHRI RAMA MUNI REDDY SIRIGIREDDY (Andhra Pradesh): Thank you, Mr. Deputy Chairman, Sir, I rise to speak on the Finance Bill, 2006. Agriculture is the mainstay of our country. 70-75 per cent of the people depend on agriculture for their livelihood. Agriculture and its allied sectors contribute 22 per cent to the GDP. So, it is the backbone of our economy. Sixty per cent of the area sown is dependent on rainfall. We have been talking about upliftment of farmers since our First Five Year Plan. But we have done little in this direction. If you look at the scenario, big farmers are becoming marginal and marginal farmers are becoming labourers. So, this trend has to be changed by making necessary adjustments in our policies relating to agriculture such as land utilisation, crop diversification, credit, integrated production of oilseeds, pulses, etc. Farmer is facing problems due to spurious seeds. He is still haunting to get lab-to-land techniques. We demand Minimum Guarantee Price for the farmer instead of Minimum Support Price.

Now, I come to agriculture insurance. The Finance Minister said that there would not be any change in the National Agriculture Insurance Scheme for 2006-07. I suggest that it has to be a comprehensive and effective one and according to the existing needs. It should cove all the small and marginal farmers.

Irrigation is another important area for sustained agriculture production. We have to put a lot of emphasis on restoration of water bodies. We do not lack the most precious natural resource, that is, water. But due to lack of proper planning, we are not able to tap it. For this, a clear-cut road map has to be drawn by taking all the political parties into confidence. The Government of India should take measures to settle water disputes between the States. Otherwise, it may cause unrest. A beginning has been made with regard to interlinking of rivers during the N.D.A. regime. It should be speeded up. The hon. Minister said that six lakh hectares would be brought under irrigation. If more funds are allocated, then only we can achieve this goal. The National Common Minimum Programme also assured the people in this regard, but no concrete steps are contemplated.

3.00 P.M.

Now, I come to organic farming. A scheme called "National Project on Organic Farming" has been taken up in October, 2004. I don't know about its progress. The hon. Finance Minister has not given any importance to this. He should pay more attention to it.

Now, I come to micro finance. The hon. Minister announced last year major changes in the micro finance. But nothing has been done so far. In the Budget Speech, he said that he would introduce a comprehensive Bill to this effect. I only request him to pass it early.

Sir, now I come to Self-Help Groups. Andhra Pradesh is having the highest number of Self-Help Groups in India. More and more SHGs should be encouraged. The goal set in 2006-07 for credit-linked SHGs looks ambitious, but, if you have the will to implement, then only we can do so. Women have to be empowered through SHGs. Private companies are exploiting women in Andhra Pradesh by charging interest at the rate of 36 per cent to 50 per cent. It was questioned yesterday also.

Sir, in the regime of WTO, our farmers don't have a level-playing field. Hence, the Government should help the farming community in a big way. Farmers' suicides are increasing in the country, particularly in Andhra Pradesh. Spurious seeds and failure of genetically modified seeds in the country, particularly in Andhra Pradesh. Dr. Swaminathan's Committee Report has to be implemented in its letter and spirit.

More than 40 farmers' associations have demanded for integrating all agriculture related departments and separate Budget for agriculture also. (*Time bell*)

Poultry industry is also on a bumpy run. The recent Bird Flu flattened this sector. It is understood that MNCs are making this sector, through indirect ways, to dance according to their tunes. So, I request the Finance Minister to pay a little more attention on this sector also.

Inclusion of 'education' in the Concurrent List in 1976 was a step in the right direction. The Union Government has to play its role in making the people of this country literate. Knowledge-based employment has to be provided. Education has to be given a fillip. For this, allocations are not according to the expectations. There are so many schools in India where you have no classrooms, leave alone teacher. SSA is the largest literacy programme in the world. It should be given more and more funds and more and more penetration.

Mid Day Meal Scheme, Sir, is a very important scheme. It should be implemented by allocating more and more money in all the villages and provide more nutritious food. More emphasis should be given on girl education.

Proper health facilities are not provided to all. One of the main drawbacks is clean drinking water. Many water-borne diseases are spread due to this. In spite of having so many programmes and plans, we are not able to give clean drinking water to people. Doctors should be given a compulsory stint in the rural areas after their internship. Otherwise, don't award them degree and don't allow them to pursue PG. AIDS has to be controlled. Chicken Guenya has appeared in Andhra Pradesh after 40 years. We have to take measures to prevent such diseases. We should reduce mortality and morbidity rate. More and more ASHA, Associated Social Health Activists, have to become functional to make 'Health for All' dream a reality.

Sir, please include Andhra Pradesh also in National Rural Health Mission. NDA has developed a very good infrastructure. North-South-East-West Corridor is running at snail's pace. Same is the case with the Golden Quadrilateral project. Now, the pace has come down, what has happened to Sagarmala Project? We have to make plans anticipating the requirements of the next 20-30 years. Private participation should also be encouraged.

There is a lot of labour unrest in the country. People are sucking the blood of poor labourers in the unorganised sector. So, reforms have to be

brought about in labour laws to suit our labour. More attention should be paid to *beedi* workers.

Textile weavers have to be protected. There is no marked improvement in their lives even after removing the quota. Special attention has to be paid on the handloom weavers. They are committing suicides. It is more so in Andhra Pradesh, Karnataka, Maharashtra, etc. They should be taught the marketing strategies. Training has to be provided to them. More emphasis should also be paid on rural artisans. (*Time-bell*)

Finally, Sir, the National Rural Employment Guarantee Programme started only in 200 districts.

MR. DEPUTY CHAIRMAN: You can hand over your papers to the Minister or you can place it on the Table of the House.

SHRI RAMA MUNI REDDY SIRIGIREDDY: Sir, I have just a few lines. It should be increased to more districts. The PMGSY also is not progressing well. Very little has been done in Andhra Pradesh. Now, this has taken under Bharat Nirman. The Minister should allocate more funds for this. The quality of houses under IAY should be improved. Government is giving Rs. 25,000 per unit. It is less. It has to be increased to Rs. 50,000. Thank you, Sir.

श्री लक्ष्मीनारायण शर्मा (मध्य प्रदेश): उपसभापति महोदय, वर्ष 2006-07 के लिए जो अनुदान की मांगें पेश की गई हैं, उन्हें खर्च करने के लिए यह वित्त विधेयक लाया गया है। इस वित्त विधेयक को अमली जामा देने के लिए मंत्री महोदय ने कानूनों में संशोधन के प्रस्ताव दिए हैं। आय कर अधिनियम, धन कर अधिनियम, सीमा शुल्क अधिनियम, सीमा शुल्क टैरिफ अधिनियम, सेवा कर अधिनियम और भारतीय स्टैम्प अधिनियम, इस प्रकार के कानूनों को संशोधित करके, माननीय वित्त मंत्री जी इस वित्त विधेयक पर खर्च करने की अनुमति मांग रहे हैं।

महोदय, वित्त विधेयक के बारे में जो डिमांड्स हैं, मैंने उनका कुछ थोड़ा सा अध्ययन किया है, जिन पर मैं अपनी बात कहना चाहता हूं। पर्यावरण और वन मंत्रालय के लिए 2006 के अन्दर 2.76 करोड़ रुपया रखा था, जो अब 2.40 करोड़ रखा है। यह कम है, इतने इंपोर्टेंट विभाग के लिए।...(व्यवधान)

श्री उपसभापति: वह कल हो गया, डिमांड तो हो गई। अब यह फाइनेंस बिल है। आपने वह वोट कर दिया।

श्री लक्ष्मीनारायण शर्मा: वह वोट कर दिया, मैं मानता हूं। लेकिन मैं दो-तीन सुझाव इस बारे में देना चाहता हूं।

श्री उपसभापति: आप बिल के ऊपर बोलिए।

श्री लक्ष्मीनारायण शर्मा: महोदय, बिल के ऊपर ही मैं बोलना चाहता हूं। चुनाव कानून के बारे में मेरा यह निवेदन है कि इस प्रकार की व्यवस्था होनी चाहिए कि लोक सभा और विधान सभा के जो चुनाव अलग-अलग होते हैं, इन दोनों के चुनाव एक साथ कर सकें, जिससे खर्च भी बचेगा और एक बहुत अच्छी जो पहले की परम्परा थी, उसको हम पूरा लागू करेंगे।

परिवार नियोजन के बारे में भी हमको विचार करना चाहिए। इस देश में अनिवार्य परिवार नियोजन होना नितांत आवश्यक है तभी हम निश्चित रूप से हमारी जो और योजनाएं हैं, उनको पूरा कर सकेंगे। अगर हम यह नहीं कर सके तो किसी प्रकार से देश का भला नहीं हो सकता । उसी प्रकार से अनुसूचित जाति और जनजाति के व्यक्तियों को हम जो अनुदान और सहायता देते हैं, उसमें मेरा निवेदन है कि अनुसूचित जाति और जनजाति के जो लोग आयकर देते हैं, उनको यह सुविधा नहीं देना चाहिए ताकि और जो पिछड़े लोग हैं, उनको उस राशि का फायदा हो सके। निश्चित रूप से हमको इस पर विचार करना चाहिए, क्योंकि काफी आई० ए० एस०, आई० पी० एस० और अनुसूचित जाति और जनजाति के लोग हैं, जिनको अब उसकी आवश्यकता नहीं है। लेकिन उसके बाद भी वे यह फायदा पा रहे हैं और इन वर्गों से गरीब लोग उससे वंचित हो रहे हैं। अगर हम उनको कुछ सहायता दे पाएंगे तो निश्चित रूप से उनको लाभ होगा। मैं इन्हीं शब्दों के साथ अपनी बात समाप्त करता हूं। आपने मुझे समय दिया, आपका बहुत-बहुत धन्यवाद।

श्री जय प्रकाश अग्रवाल (राष्ट्रीय राजधानी क्षेत्र, दिल्ली): उपसभापति महोदय, मैं आपका धन्यवाद करता हूं कि आपने मुझे समय दिया। यह जो फाइनेंस बिल है, उसमें मेरे कुछ छोटे-छोटे दो-तीन सुझाव हैं। मैं आशा करता हूं कि वित्त मंत्री जी उनको जरूर मानेंगे।

जैसे वैट के बारे में मैंने कहा था कि वैट आपने लागू कर दिया है, लेकिन उस समय आपने वायदा किया था कि सेंट्रल सेल्स टैक्स आप नहीं रखेंगे और उसको हटा देंगे, ताकि यह जो डबल टेक्सेशन हो रहा है और जिससे टेडर्स का ह्रासमेंट हो रहा है, वह न हो। दूसरे जो एक्सपोर्टर्स हैं, पहले एक बार राजीव गांधी जी के टाइम में हुआ था, उनको इन्कम टैक्स से दस साल के लिए फ्री कर दिया गया था। आज उनके ऊपर डबल टैक्सेशन है, एक तरफ जो चायना से माल आता है उसको कम्पीट करते हैं और जो माल एक्सपोर्ट करते हैं, उसमें जो खर्च हैं, उसमें उनको सर्विस टैक्स भी देना पड़ता है। इन्कम टैक्स भी देना पड़ता है। मुझे आशा है कि उनको बढ़ावा देने के लिए उनको मदद करने के लिए आप उनका कोई फायदा करेंगे। इसके लिए या तो इन्कम टैक्स कम कर दें या जो सर्विस टैक्स लगता है उनके एन्टरटेनमेंट पर तथा और चीजों पर, वह उन पर न लगे। तीसरे, मैं

यह कहना चाहता हूं कि यह एक डबल टैक्सेशन है। जहां आप इन्कम टैक्स लगाते हैं, यह पहले हुआ था, यह कहा था कि एक्सपेंडिचर टैक्स होना चाहिए। तब इसके ऊपर डिबेट हुई थी कि अगर इंकम टैक्स न होकर एक्सपेंडिचर टैक्स होगा तो लोगों को राहत होगी और कलैक्शन में भी आसानी होगी। मैं जानना चाहता हूं, क्या कहीं कोई सुझाव ऐसा है कि जो यह छोटा ट्रेडर है, जो कमजोर व्यापारी है, उसके ऊपर जो यह डबल मार पड़ती है, उससे दोनों तरफ से टैक्स ले रहे हैं, उससे सर्विस टैक्स भी ले रहे हैं और इन्कम टैक्स भी ले रहे हैं, तो क्या इसमें कोई रिलीफ आप उनको देंगे?

सर, मेरा चौथा पाइंट है कि जो सैंसेक्स के बारे में आपने एक बार कहा था कि अगर यह 8000 पोइंट के ऊपर जाता है तो शायद खतरा है, लेकिन अब यह बढ़ते हुए 1100 पोइंट तक चला गया है। मैं वित्त मंत्री जी से जानना चाहता हूं कि जब उन्होंने 8000 पोइंट तक पहुंचने पर यह कहा था कि शायद यह खतरा हो सकता है और इससे आगे नहीं बढ़ना चाहिए, तो इस बारे में आज आपके क्या व्यूज हैं? मुझे यह भी कहना है कि आजकल फॉरेन बैंक बहुत आ गए हैं, जिनकी दिल्ली में बहुतों की ब्रांचेज हैं। जो ई ट्रेडिंग है, उनके पास बहुत सारी फेसिलिटी है कि घर बैठकर अपने एकाउंट को चेक कर सकते हैं, आप उनसे स्टेटमेंट ऑफ एकाउंट ले सकते हैं, चैक बुक आर्डर कर सकते हैं, कैश मंगा सकते हैं। जबकि हमारे जो नेशनलाइज्ड बैंक्स हैं, उनमें शायद स्टेट बैंक के अलावा और किसी में यह फेसिलिटि नहीं है। मैं चाहता हूं कि आप इसमें और तेजी लाएंगे और मदद करेंगे। सर, मेरा यह पाइंट म्युचल फंड के बारे में है। अगर आप अखबारों में देखें, तो रोज एक नई कंपनी खुलती है, जिसका म्युचल फंड के बारे में एडवरटाइजमेंट होता है। इसमें ऑल इन्वेस्टर्स रिस्क में हैं। मैं नहीं समझ पा रहा हूं कि इतनी कंपनीज क्यों खुल रही है? मान लीजिए-एक कंपनी डूबती है, जो उसमें हजारों इन्वेस्टर्स का करोड़ों रुपया डूब जाता है। मैं यह जानना चाहता हूं कि क्या सरकार इस ओर कोई कदम उठा रही है? आप एक बार रजिस्ट्रेशन कम्पनीज करने के बाद उनको खुला छोड़ देते हो, इस तरह से तो बहुत से लोगों का पैसा डूब जाएगा। पहले भी कई बार ऐसा हुआ है कि छोटे-छोटे कोआपरेटिव बैंक्स खत्म हुए हैं, तो उनके साथ बहुत सारे लोगों का पैसा भी डूब गया है। जो प्राईवेट बॉरोअर्स हैं, जो कंपनीज म्युचल फंड बना रही हैं और वे लोगों का पैसा इकट्ठा कर रही हैं, मैं जानना चाहता हूं कि क्या कोई रेगुलेटरी बॉडी इनके ऊपर चैक रखने के लिए होगी?

सर, मेरा लास्ट पाइंट है कि जो डि-म्युचलाइजेशन की लास्ट डेट है, वह 29 अगस्त है, जिसे सेबी ने रखा है, लेकिन इसके लिए अभी तक कोई नार्म्स नहीं बनाये गये हैं। सर, मैं आपको बताना चाहता हूं कि पूरे देश में 23 में से 21 स्टॉक एक्सचेंज नुकसान में जा रहे हैं और वही हाल दिल्ली स्टॉक एक्सचेंज का भी हैं। मैं मंत्री महोदय से जानना चाहता हूं कि क्या आप इसमें कोई मदद करेंगे? क्या इसके लिए कोई ऐसे नार्म्स बनायेंगे? आज जो लोग इनमें इन्वेस्टमेंट कर रहे हैं, जो ट्रेड़िग कर रहे हैं, वे ही नार्म्स बना रहे हैं। मैं जानना चाहता हूं कि क्या इसके लिए रेगुलेशन्स

बनायेंगे ताकि इनके डायरेक्टर्स अलग हों, और ब्रोकर्स अलग हो? शायद इससे लोगों को राहत मिलेगी और ये नुकसान में जाने के बजाय फायदे में जायेंगे। मैं आशा करता हूं कि आप इस ओर जरूर ध्यान देंगे। धन्यवाद।

श्री उपसभापति: श्री राजीव शुक्ल। आपका नाम पहले भी पुकारा गया था, मगर उस समय आप एबसेंट थे।

SHRI RAJEEV SHUKLA (Uttar Pradesh) Sir, I was not here at that point of time, but I will be very brief in making my observations. I will be making only three or four suggestions.

At the outset, I would like to congratulate the Finance Minister for giving us a growth-oriented Budget which has brought happiness all over the country. The Sensex has reached the 11000-mark, and I have also come to know that it is likely to touch the 16000-mark in the days to come. So, this what the stock market news is. I am happy that there will be happiness all over. Sir, there is one industry about which I want to make a request to the hon. Finance Minister. Nothing has been done for the entertainment industry. This is one industry which is growing by leaps and bounds.

SHRI V. NARAYANASAMY: What about cricket?

SHRI RAJEEV SHUKLA: Cricket, I will come to it later.

Sir, by 2010, it is going to be Rs. 82.000 crores. This is a Price Water house Coopers' Report. The latest study has shown that the Bollywood and the television industry, put together, is going to be Rs. 82.000 crores; from the television industry alone, it is going to be Rs. 42.000 crores. There is a massive scope for foreign exchange earnings also. You can fetch lots of foreign exchange through the Bollywood industry, through the Indian TV programmes. But no incentive has been given to this industry! In fact, this industry is reeling under a heavy tax burden; 47 per cent tax is being paid by this industry, 35 per cent corporate tax plus 12 per cent service tax. Nothing has been done about this industry. No incentive has been given, no fillip has been given and no boost has been given to this entertainment industry. This industry is still considered as a *natch-gana* industry. Instead, it should be part of the knowledge economy. The IT sector is booming because of the Government support, because of the Government incentive and because of the Government encouragement, but nothing is being done for the entertainment industry. He must consider giving some relief to the entertainment industry.

Secondly, Sir, I want to know why Mr. Jethmalani should not pay service tax, why Mr. Arun Jaitley should not pay service tax, why Mr. Chidambaram should not pay service tax. There are Supreme Court lawyers earning....*(Interruptions)*... And Mr. Ravi Shankar Prasad also. Crores and crores of rupees they are earning ...*(Interruptions)*... Mr. R.K. Anand also. But they are not paying service tax. I, as a small writer of TV serials, as a small poet and as a small journalist, am paying it. Lawyers and doctors who are earning more than a lakh of rupees or more than five lakhs of rupees should also pay service tax. Why are they not paying service tax? ...*(Interruptions)*...

SHRI B.S. GNANADESIKAN (Tamil Nadu): Sir, even chartered accountants are paying.

MR. DEPUTY CHAIRMAN: Shuklaji, chartered accountants are also paying.

SHRI RAJEEV SHUKLA: The District Court lawyers should not pay, the High Court lawyers should not pay, but the Supreme Court lawyers should pay. So, service tax should be imposed on these prominent lawyers at least.

Thirdly, I think, some injustice has been meted out to the old people, as far as the interest rate on their deposits is concerned. Something should be done in that regard. Thank you.

SHRI R. SHUNMUGASUNDARAM (Tamil Nadu): Sir, I want to seek only two clarifications regarding clauses 33 and 35 of the Bill. By clause 33, the Minister proposes to insert new section 139B. He is going to bring another specific category of people called Tax Return Preparers. I don't know what it is. This is a new category of people. We already have the auditors; we already have the tax practitioners. When we go to file our tax returns, when we go to settle our accounts, we really become nervous. That is the only time in my life I become nervous. When I go to settle my accounts and file my tax return I become nervous. Now, we are creating a new category. The auditors and the tax practitioners really play on our nerves. Now, we are bringing in another category of people. Is it necessary at all? What is the criterion? The Government says that it is going to issue a notification and, through the notification, it will give out the qualifications and the requirements for such practitioners.

The second clarification which I would like to seek is regarding clause 35. It relates to amendment to section 142 of the Act. By clause 35 they want to add a new sentence to section 142(1)(i). It says, "for the words, brackets and figures" within the time allowed under sub-section (1) of section 139", the words, brackets and figures" within the time allowed under sub-section (1) of section 139 or—this is the new sentence which is being added—"before the end of the relevant assessment year". I don't know what it means. This is a provision which attracts prosecution. As far as I understand, prosecution under section 276CC is attracted, if return is not filed within the specified time. Normally, the notice period is 30 days. Even after 30 days, if the tax return is not filed, prosecution is launched. I know about the cases in Tamil Nadu where senior politicians are involved in cases of non-filling of returns. I personally want them to be disqualified and debarred from contesting elections. But this should not be misinterpreted. It would give scope for misinterpretation by lawyers and others. The period for filing the returns is extended by this provision. I would like to seek these two clarifications.

Sir, I congratulate the Finance Minister for giving a real thrust to education. In this Budget Speech also he has announced grants to three major universities and IITs, and many other things. He is also continuing the two per cent education cess in the Finance Bill. I really congratulate him. But what I request the hon. Finance Minister, through you, Sir, is to consider, apart from building classrooms in Government schools, which alone is not sufficient, appointment of teachers also. There are no teachers in the Government schools. In urban schools teachers are available in plenty. But there are no teachers in village schools. It should be taken care of. The SSA Scheme should be extended and more funds should be allotted to the SSA for appointing teachers in large numbers. With these words, I welcome the Finance Bill. Thank you.

SHRI P. CHIDAMBARAM: Mr. Deputy Chairman, Sir, I am grateful to the hon. Members for this brief but illuminated discussion on the Finance Bill. I am sorry, there is constraint of time. But I shall try to be as responsive as possible even while I race through the points one by one. Sir, I am very fortunate to have Shri Yashwant Sinha as one of my predecessors and the leading Member of the Opposition. I have presented three Budgets so far. I was rather nervous when I presented the first Budget of the UPA Government because I expected that I would be judged by what I do; the

Government would be judged by what it does. Mr. Sinha, speaking for the Opposition, launched a scathing attack on that Budget. I still recall some of the words that he used. He was scathing not only inside the House, he was scathing outside the House, on the Television, in articles, especially, written by him in the media. But I was very happy that at the end of the year, notwithstanding the scathing criticism that he mounted, India recorded a 7.5 per cent growth. Last year also, he was quite scathing in an article. But for some reason, he did not take the floor; he yielded in favour of Shri Arun Shourie. Naturally, when you write, you can be more incisive and more precise than when you speak. Therefore, as against the spoken words which I assumed would have been scathing, written words even more scathing. Thanks to his scathing attack, in the second year also India's economy grew; it is expected to grow by 8.1 per cent. Let me thank him warmly for his scathing criticism today because I expect that after this India's economy will grow even more.

It ill befits a former Finance Minister, whose record I will read today, to condemn some exercises that we have undertaken in order to put India in the growth story. I believe that my learned friend was Finance Minister between 1998-99 and 2002-03. Although, the NDA Government had one more year to run, but for some reason which I do not know, he was alleviated to the position of External Affairs Minister. In the first year of his tenure, India's GDP was 6.5 per cent. Then in the following four years, it went to 6.1 per cent, 4.4 per cent, 5.8 per cent and 3.8 per cent. The fiscal deficit, which was 4.1 per cent in 1996-97, thanks to the ASEAN crisis, went up to 4.8 per cent. I conceded it. In his first year, he showed a fiscal deficit of 5.1 per cent and in the four years thereafter, it was 5.3 per cent, 5.6 per cent, 6.2 per cent and barely managed to reduce it to 5.9 per cent. He inherited 4.8 per cent and left at 5.9 per cent. Revenue deficit was 3.1 per cent when he inherited it, then it became 3.8 per cent 3.5 per cent 4 per cent, 4.5 per cent and 4.4 per cent. He inherited 3.8 per cent and left it at 4.4 per cent. During the five years, the average of the GDP growth was 5.3 per cent. In the first year of this Government, it was 7.5 per cent and in the second year it is expected to be 8.1 per cent. I will be happy with any growth rate between 7.5 per cent and 8.1 per cent. Therefore, while I expect criticism, I also expect a certain degree of generosity. The Government must be doing something right. It cannot be that every page of the Budget Speech was wrong, where every tax proposal is wrong, every idea is flop, every departure is mistaken, every refusal to follow the

NDA practice is misguided. We must be doing something right and even if I do not do something right and unwittingly, I do something wrong, surely, the Prime Minister is not going to let me do something wrong. Among the four Finance Ministers who occupied this Office since 1991, we all acknowledge that the Prime Minister of the day is the most competent and the most learned Finance Minister. Whatever I have done, let me say, Sir, I have done with the full support, full understanding and full concurrence of the Prime Minister. Therefore, let us look at the merits of what we have done rather than try to score political points. If I were to score political points, I don't have to say anything except to read these figures. Sir, he said that I have made a massive effort to increase the tax burden on people. I have not. The Additional Resource Mobilisation, what we call the ARM, is estimated at Rs. 6,000 crores. What was his record? What was NDA's record? According to the Budget speeches, in 1998-99 the ARM was Rs. 8,313 crores; in 1999-2000, it was Rs. 9,424 crores; in 2000-01, mercifully, it was only Rs. 5,080 crores; and in 2001-02, mercifully, it was only Rs. 2,549 crores, plus the direct taxes to be made up by buoyancy. In a parting gift in 2002-03; Mr. Yashwant Sinha claimed to have an ARM of Rs. 10,500 crores! And, my ARM of Rs. 6,000 crores pales into insignificance. The point is, we have removed some exemptions. As a result of that, I expect to mobilise an additional resource of Rs. 6,000 crores. But my learned friend Mr. Yechury legitimately points out that we should do more. You say that I should not even do this. The point is, we have to strike a balance. I think both of them have a point. We cannot burden the people with too many taxes, nor can we afford not to tax people who ought to bear the burden of taxes. I think the record of the UPA Government is quite exemplary. As I said in paragraph 118, in 2004-05, the gross tax revenues increased by 19.9 per cent; that is, nearly 20 per cent, and in 2005-06, according to the Revised Estimates, they are expected to increase by 21.4 per cent. So, on an average, we are increasing by 20 per cent a year. The bulk of this is coming from better tax administration. A substantial part is coming from tax buoyancy. Only a small part is coming from additional resource mobilisation. In answer to Mr. Yechury, much of his criticism is met by the fact that I am getting more revenue from better administering the current taxes, and that is another way of saying that I am taxing people who are escaping the tax net. It is also another way of saying that I am reaching to more people who ought to pay taxes, but who are not paying taxes. I hope to be able to keep the same momentum this year, and we can increase the gross tax revenues by 20 per cent. I hope I can come

back next year and report to the House that I have achieved the gross tax revenue growth rate of 20 per cent.

Sir, Shri Yashwant Sinha said, referring to paragraph 165, that my reasons for removing the exemption under Section 10 (23 G) are specious. In fact, I began the paragraph 165 by saying the very reason for it. He said that I did not give the reason.

[MR. CHAIRMAN in the Chair].

But I have said it: I began the paragraph 165 by saying that I have revisited the exemptions in the Income-Tax Act. Paragraphs 165, 166 and 167 deal with three exemptions which I am removing; it falls under a pattern. The main reason that I give for these three paragraphs is that I am revisiting the exemptions. Section 10 (23 G) is an exemption that I am revisiting, and I am supported by the Kelkar Committee which went a step further and said that Sections 80 (I A) and 80 I B should be removed. I have not gone that far because it will hurt our infrastructure. I have not gone to the exent of removing 80-IA and 80-IB. I have limited myself to removing an exemption contained in section 10 (23G) which, I believe, is no longer relevant because interest rates are moderate.

As regards the next paragraph, section 80-P, the Kelkar Committee has dealt with it in its report and I have, therefore, dealt with it in paragraph 166 and I say that cooperative banks, like any other bank, if they make a profit, must pay tax, because they are like any other bank today. The principle of mutuality does not really apply to cooperative banks because they are now taking money from non-members and they are also lending money to non-members; they have becoming virtually like any other bank. Unfortunately, their regulation is inadequate. There is dual regulation. The State regulators, I am sorry to say, have failed to do their duty. That is why the entire cooperative credit structure is in a shambles. We have had to put together a package of Rs. 14,500 crores to restore life to the cooperative credit structure and that is a huge burden which the central Government is going to carry in the next financial year and the years thereafter. But that is a dire necessity. In a meanwhile, we have looked at the cooperative banking sector and, after exempting all the PACs and all the primary agricultural long-term credit institutions which numbered a lakh and eight thousand, we are saying 2,288 cooperative banks, if they make a profit, should pay income-tax. Now, I have not said this in this paragraph, but I

have explain it outside and I stand by that explanation. Once they are required to file a properly audited income and expenditure statement and a properly audited balance-sheet for income-tax purposes, I think you will find that their internal management gets better, their internal governance structures get better, because they now know that they cannot get away with financial irregularities. Bank after bank has closed down in Gujarat and Maharashtra because of malfeasance, misfeasance and cheating. Therefore, we think that cooperative banks, if they make a profit, should pay income-tax. If they are not making a profit, they do not pay income-tax. But we have exempted 1,08,000 primary societies.

Sir, the next point he made was about section 43B. he is abosolutely right. Section 43-B is a latter-day introduction. It has not there in the original Income tax Act. It was done at a time when, perhaps, the CDR mechanism, or, its use was invented to help people restructure. But what was happening? People were not paying interest, claiming that unpaid interest as an income-tax deduction and taking the interest back as a fresh loan. All that we have said is, if the interest is paid, you can take it as an income-tax deduction; if the interest is not paid, you roll it over as a new loan; you will claim it as a deduction in the year in which you repay the new loan. So, there is no additional liability in what we have done to section 43-B.

Let me come to MAT. MAT, again, was an introduction in 1996-97. It was tweaked here, tweaked there, but MAT remained. I think there is a great deal of equity in MAT. Something like 30-40 per cent of India's companies do not pay any corporate tax at the rate at which they should pay corporate tax. They pay MAT. Why? They pay MAT because they enjoy a whole lot of exemptions. They make book profits, but they don't pay tax. Sir, by definition, a MAT company is a profit-making company. There is a popular misconception that a MAT company is a loss-making company. That is not so. By definition, a MAT company is a profit-making company. But, after it strikes the profit, because of the various exemptions, it ends up as a non-tax paying company. All that we are doing is, in section 115-JB there are certain additions to be made, there are certain deductions to be made. Now, long-term capital gains was not a deduction until 2004; a point which, I am afraid, Mr. Sinha missed. During your entire tenure, it was not a deduction. In 2004, when longterm capital gains was abolished for securities sold on the

stock exchange, we put it in section 10(38). We could have equally put it in section 47. By putting that in section 10, clause 38, unwittingly, it got the benefit of section 115J(B). Last year, we did not notice it because we were not revisiting the MAT section. This year, when we revisited the MAT section, we found that unwittingly we had given a benefit which they did not enjoy up to 2004. Therefore, we have brought it back and said, if you have a long-term capital gains that will be added back to the book profit. In any event, we have given them seven year's time to set off. MAT is not an additional tax liability. MAT is only an advance payment of a tax liability to be incurred later. Most corporates have understood it. I have addressed the FICCI; I have addressed the CII. This is no longer an issue. The MAT rate today is 1/3rd of the normal rate. Two companies are profit-making companies. Profit-making company 'A' pays 30 per cent plus 10 per cent surcharge. Profit-making company 'B', because it is a MAT company, which ought to pay 30 per cent plus three per cent, now pays ten per cent plus one per cent, *i.e.* eleven per cent. I think there is still a huge advantage in being a MAT company. Slowly, over a period of time we must remove these exemptions. All profit-making companies must pay tax. But, as it is, I think the MAT rate, which is 1/3rd of the normal corporate tax rate is justified on the principle of equity.

Sir, 1/6; yes, it no longer serves a useful purpose. There used to be several lakhs of returns in the initial years. Now, of course, the base has widened. It is diminishing returns. In 2004-05, there were only 70,000 returns under 1/6. Therefore, we thought it has served its purpose. I am not saying it did not serve its purpose. It started with 2/4, which I introduced in 1996-97. It became 1/6. It has served its purpose. Having served its purpose, we are getting rid of the 1/6 scheme.

Sir, about the CVD, again, my learned friend makes a mistake. The CVD is not like Customs Duty. The CVD is VATable. The CVD has been imposed in order to protect domestic manufacturers against imports. This Budget, in more than one place, signals a bias in favour of the domestic manufacturers. I want India's domestic manufactures to grow. If umbrellas are being made in India, I would rather have umbrellas made in India rather than umbrellas imported from somewhere. All that we have said is, if you are importng the good, you pay a CVD of four per cent because there is a VAT of either four per cent or 12.5 per cent. It partially compensates for the

VAT liability on the domestic manufacturer. But, it is not an additional burden on the domestic manufacturer because this four per cent is VATable against the Excise Duty payable. It is not an additional burden. It is an additional burden on the importer. On the importer of the finished good, it is an additional burden. But, that is the right thing to do because it is a bias in favour of the domestic manufacturer.

Sir, my learned friend went through a whole series of Excise Duty exemptions, and criticised some; reluctantly, praised some. But, the point is, there can be no uniform philosophy about the Excise Duties. And I don't have to follow the NDA philosophy either. Nor does he have to follow my philosophy. The point is, we agree on one thing—that Excise Duties should converge on a rate, and I conceded to him in the last Budget that the 16 per cent rate appears to be the current consensus on the CENVAT rate. All duties must, therefore, converge at 16 per cent. I concede that point—hence 24 per cent duties have been brought to 16 per cent. Steel, for example. For no reason at all when Mr. Jaswant Singh o the eve of the election reduced the Excise Duty on steel to eight per cent, I did not hear Mr. Yashwant Sinha's voice raised against that. Why was it reduced to elight per cent on the eve of the elections? I don't know. I am asking. You should know better. ...(*Interruptions*)...

SHRI YASHWANT SINHA: Why did you not raise your voice?

SHRI P. CHIDAMBARAM: No, we raised it back to 12 per cent, and raised it back to 16 per cent. Steel is a primary commodity in India. If steel doesn't set an example of paying the CENVAT rate, which commodity should suffer a 16 per cent rate? The point is, at given point of time—I will give you the reason why he may have reduced it. Steel was going through a slump; he may have reduced it to 8 per cent in order to revive the steel industry. Therefore, excise duties are tweaked from time to time in order to give a boost to certain industries or in order to give relief to some industries. For every excuse duty change I have given a reason either in the Budget Speech or I have given reasons in some other document. I will tell you why. Automobile, have I not given a reason? I have given a reason. It may be a right reason, it may be a wrong reason. You may agree with my reason or you may not agree with my reason. I have given a reason which is a plausible reason; it seems to be a good reason to me. I want to envourage small car manufacturers in this country, I want to make India a manufacturing hub for small cars and take it from me, five years from

today, India will become the world's largest manufacturer of small cars. Let us wait and see whether my assessment is right or wrong.

Two years ago, I gave excuse duty relief to the cotton textile industry. The results are there. There is a boom in the cotton textile industry today. Cotton textile machinery manufacturers have an order book running to 36 months! Just ring up LMW and ask them. They will not take orders today. They have got an advance payment requirements and an order delivery time of 24 months! Today, we are giving similar relief to the manmade textile industry. The manmade textile industry is crying for relief. They came out with advertisements before the Budget, they came out with advertisements after the Budget thanking the government and the Prime Minister. We have given relief. We believe that with this relief, the manmade textile industry will have another major boom.

I have given relief to paper. Why? Capacity addition in paper has slowed down. I have looked at the statistics. Paper is consumed widely. Therefore, in order to give a boost to the paper industry, we have reduced it from 16 to 12 per cent.

My learned friend asked me, where did you get this 12 per cent? I did not get it. Computers are at 12 per cent. Matches are at 12 per cent. And paper is also at 12 per cent. I am not saying this will remain at 12 per cent for all times to come. When a GST is introduced in 2010, all these rates will converge. But, in the meanwhile, if I want the paper industry to expand, if I want more capacity to be added in this country, why should I not give it an excise relief? Giving excise relief, allowing capacity to be built, allowing demand to be stimulated, allowing the growth of the industry, is a well-tried and well-tested principle of taxation. But I do not apologise for giving relief on excise items; we have given relief on some excise items and we have justified it.

We have given a large relief to the food processing industry. Why? We want the food processing industry to take off. There is a Vision 2015 document published by this Government, we want massive investment in the food processing industry. And, therefore, we have given relief to a large number of packaged food products.

Sir, regarding Chartered Accountants, the point is their exemption is not taken away. This provision has introduced in 1998. It is not a provision which is introduced now. But while bringing Chartered Accountants under

the service tax net, I think, some day or the other, lawyers will have to be brought under the service tax net, I think, doctors also will have to be brought under the serivce tax net.

On a day that I am absent in this House, I would urge this House to pass a resolution to bring all lawyers under the service tax net, and even doctors be brought under the service tax net. And I hope, Mr. Ram Jethmalani would move the resolution and I hope Mr. Ravi Shanker Prasad will second the resolution. No problem with that.

SHRI RAM JETHMALANI (Maharashtra): We want to be brought under the service tax net. But we will not be taxed so long as he is the Finance Minister. He himself is a Supreme Court lawyer.

SHRI P. CHIDAMBARAM: Sir, the senior lawyers threaten me all the time! Sir, Chartered Accountants were brought in 1988. But simultaneously, we published a notification dated 16th October, 1998 by the Finance Ministry presided over by Shri Yashwant Sinha, not me, which said, "Hereby exempts the taxable services provided by a practising Chartered Accountant other than the taxable service relating to:"

After bringing Chartered Accountants you limited the scope by listing a certain number of activities. Accounting and auditing, cost accounting, secretariat auditing, etc. I have no quarrel with this. But Chartered Accountants being as ingenious as lawyers said, "Legal services are not listed here, every time, I appear, or every time I give an opinion, I am citing some provision of the Income-Tax Act, what I am providing is really legal services and, therefore, I am out of the net." Now, I salute the ingenuity. But the point is having got the Chartered Accountants, having given this Notification, in order to get over an interpretation of the ingenuity, we have now said, we are withdrawing this and all the activity of Chartered Accountants are brought under the net. But I agree lawyers have to be brought under the Service Tax net, doctors have to be brought under the Service Tax net; ultimately, all services must be brought under the Service Tax net barring a negative list of very essential services.

Sir, I think, I have done most the points. There were some questions about computers. Well, I did not make the Customs Duty on computers zero. This is an international agreement called ITA and under the ITA computers have to come the zero. There is an Excise Duty and there is a CVD, there is a level playing field. Computers are at zero because the

world has agreed that all IT items have to be imported at zero ...(*Interruptions*)... But I cannot help that. We are a signatory to an international agreement. All computers have to be imported at zero. CST and VAT, I agree that there has to be a phase out of CST. The State Finance Ministers Empowered Committee is meeting me, I believe, day after tomorrow. We are making progress just as we made progress on VAT. I am confident; State Finance Ministers, I have found them extremely objective, extremely cooperative, extremely progressive, and I am absolutely confident, Sir, that we will reach an agreement with the State Finance Ministers on how to phase out CST. ...*(Interruptions)*...

श्री जय प्रकाश अग्रवाल: सर, इसमें कितना समय लगेगा? ...(व्यवधान)...

श्री सभापति: आप बैठिए।

SHRI P. CHIDAMBARAM: We will try. Now, Section 139B is a new scheme that we are preparing for unemployed graduates. We think a large number of small taxpayers do not need to go to expensive Chartered Accountants and Auditors because for them we have got software today, we have got simplified tax form, SARAL which was introduced by their Government, and it is undergoing further simplification, we think a well-trained unemployed graduate can prepare this tax return. So, we are devising a scheme, we are going to train them, we are going to give them a stipend, we are going to call them Income-tax Return *Preparers*. Therefore, we are going to train people so that these young men and women can get some income by being Income-tax Return Preparers. I think, the House should welcome this effort to give some kind of income to unemployed young men and women who are there in our country.

Sir, there were questions about why did I replace the expression 'commercial concern' by the expression 'person'. Well, the simple answer is, commercial concern is not defined, and, therefore, it led to litigation. Virtually, every Act in this country, Mr. Jethmalani will bear me out, uses the word 'person' and 'person' is defined in the General Clauses Act. There is a Rs. 4 lakh threshold. So, an individual who provides service up to Rs. 4 lakh is not covered. So, instead of having this term of art 'commercial concern' and not defining it, I am not able to define it, we simply substituted it by the word 'person' and, I think, this is simplification rather than any attempt to complicate it.

Sir, I did not attempt to say that refractories were part of the inversion issue. In fact, I do not know where he got the word 'inversion'. You read the Budget Speech, nowhere does any previous paragraph talk about inversion. In refractories and materials used for refractories, we have brought it down from 10 per cent to 7.5 per cent because in metals we have brought it down to 7.5 per cent. If I had not brought it down to 7.5 per cent, there would have been an inversion because non-ferrous metals and metals have been brought to 7.5 per cent, Refractories, materials used in manufacture of refractories would also have to brought down to 7.5 per cent. Sir, I am sure, I may have missed one or two small points, but, Sir, in view of the paucity of time, you will kindly bear with me that I have answered the major points. This Finance Bill is a balanced Bill, it takes care of gross tax revenues, it gives relief to industries, which we have identified as deserving of relief, it is intended to give a bias to the manufacturing sector. We have also given a thrust to many sectors which would require some help in order to stimulate domestic demand and to expand capacity, I think, we have adhered to the fundamental principles of taxation, moderate, stable and in order to incentivise sectors which require to be incentivised, I humbly and respectfully request the House to return the Bill. Thank you.

MR. CHAIRMAN: Thank you, Mr. Finance Minister.

SHRI P. CHIDAMBARAM: Sir, I move:

That the Bill to give effect to the financial proposals of the Central Government for the financial year 2006-2007, as passed by Lok Sabha, be taken into consideration.

The question was put and the motion was adopted.

MR. CHAIRMAN: Now, we shall now take up Clause-by-Clause consideration of the Bill.

Clauses 2 to 76 were added to the Bill.

The First Schedule, the Second Schedule, the Third Schedule, the Fourth Schedule, the Fifth Schedule, the Sixth Schedule, the Seventh Schedule, the Eighth Schedule, the Ninth Schedule and the Tenth Schedule were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI P. CHIDAMBARAM: Sir, I more:

That the Bill be returned.

The question was put and the motion was adopted.